

**GRAETTINGER-TERRIL
COMMUNITY SCHOOL DISTRICT**

INDEPENDENT AUDITOR'S REPORT
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2012

TABLE OF CONTENTS

	<u>Page</u>
Officials	1
Independent Auditor's Report	2-3
Management's Discussion and Analysis	4-12
Basic Financial Statements:	<u>Exhibit</u>
Government-wide Financial Statements:	
Statement of Net Assets	A 13
Statement of Activities	B 14-15
Governmental Fund Financial Statements:	
Balance Sheet	C 16-17
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D 18
Statement of Revenues, Expenditures and Changes in Fund Balances	E 19-20
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F 21
Proprietary Funds Financial Statements:	
Statement of Net Assets	G 22
Statement of Revenues, Expenses and Changes in Fund Net Assets	H 23
Statement of Cash Flows	I 24
Fiduciary Fund Financial Statements:	
Statement of Fiduciary Net Assets	J 25
Notes to Financial Statements	26-33
Required Supplementary Information:	
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds And Proprietary Fund	34
Note to Required Supplementary Information - Budgetary Reporting	35
Schedule of Funding Progress for the Retiree Health Plan	36
Supplementary Information:	<u>Schedule</u>
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	1 37
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	2 38
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	39-40
Schedule of Findings	41-43

GRAETTINGER-TERRIL COMMUNITY SCHOOL DISTRICT

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
(Before September 2011 Election)		
Kyle Norris	President	2013
Galen Chicoine	Vice President	2011
Duane Hoffman		2011
Roger Schmitt		2011
Kevin Jensen		2011
Larry Flaharty		2011
Jim Eldridge		2011

(After September 2011 Election)

Kyle Norris	President	2013
Galen Chicoine	Vice President	2013
Matt Hanson		2013
Roger Schmitt		2015
Kevin Jensen		2015

The September 2011 election represented the first election subsequent to the reorganization of the Graettinger and Terril Community School District on July 1, 2010. All members prior to the election were appointed. All terms were subject to change after the election. The number of members was reduced as agreed upon in the reorganization vote. Seven members were required by state law to be on the original board.

School Officials

Randy Collins	Superintendent
Lisa Chapman	District Secretary/ Treasurer

Independent Auditor's Report

To the Board of Education of
Graettinger-Terril Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities and each major fund of Graettinger-Terril Community School District, Graettinger, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities and each major fund of Graettinger-Terril Community School District at June 30, 2012, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 29, 2013 on our consideration of Graettinger-Terril Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 12 and 34 through 36 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and

comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Graettinger-Terril Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report the financial statements for the year ended June 30, 2011 (which are not presented herein) and the financial statements of the predecessor districts for the five years ended June 30, 2010 (which are not presented herein) and expressed unqualified opinions on those financial statements. The financial statements of the predecessor districts for the three years ended June 30, 2005 (which are not presented herein) were audited by other auditors who expressed unqualified opinions on those financial statements. Supplementary information included in Schedules 1 through 2, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BRUCE D. FRINK
Certified Public Accountant

March 29, 2013

GRAETTINGER-TERRIL COMMUNITY SCHOOL DISTRICT

Management's Discussion and Analysis

Graettinger-Terril Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2012. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2012 FINANCIAL HIGHLIGHTS

- This was the second year of the reorganized district. Some comparisons can begin to be made; however, the first year of sharing incurred some "one time" expenses.
- The District's General Fund balance decreased by \$136,276. Significant cost containment measures, sharing and restoration of prior state aid cuts all contributed.
- The District ended FY2012 with an unassigned fund balance of \$1,313,870. Due to our superintendent sharing with Armstrong-Ringsted, our superintendent salary is at 50%. Our solvency ratio is 32.2%, well above the 10% level that is commonly recommended.
- The Nutrition Fund ended June 2012 with a cash balance of \$15,014. No assistance from the General Fund was necessary.
- Statewide sales, services and use tax revenue totaled \$653,044 and expenditures were \$532,294. Over \$117,082 was for a payment on the one on one laptop initiative begun in 2010 with one payment remaining of the same amount.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Graettinger-Terril Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Graettinger-Terril Community School District operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Graettinger-Terril Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Supplementary Information provides detailed information about the Student Activity Fund and a multiyear comparison of revenues and expenditures.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
Graettinger-Terril Community School District Annual Financial Report

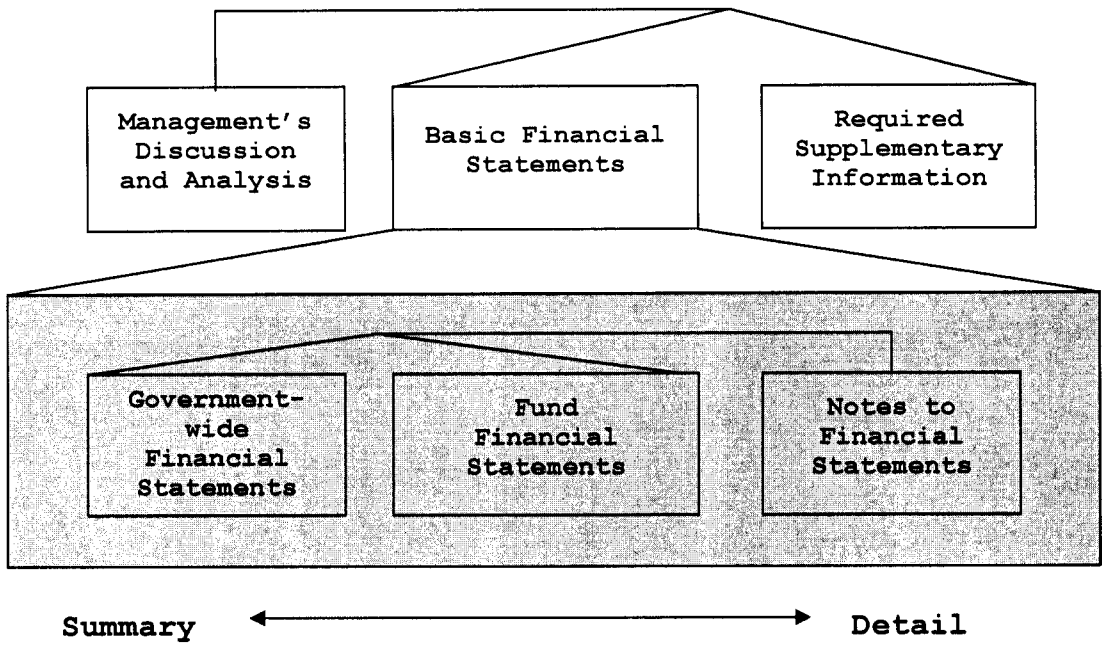


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2

Major Features of the Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Fund	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and internal services	Instances in which the District administers resources on behalf of someone else, such as DB Kids Program
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets - the difference between the District's assets and liabilities - are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. The District has chosen to present all governmental and proprietary funds as "major" for clarity of presentation.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Funds.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide statements. The District's Enterprise Fund, one type of proprietary fund, is the same as its business type activities but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund. The District also uses an Internal Service Fund to account for health benefit plans.

The required financial statements for proprietary funds include statement of net assets, a statement of revenues, expenses and changes in net assets and a statement of cash flows.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others.

- *Agency Fund* - The District accounts for funds held in a custodial capacity.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2012 compared to the year ended June 30, 2011.

Figure A-3
Condensed Statement of Net Assets
(Expressed in Thousands)

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2012	2011	2012	2011	2012	2011	2011-2012
Current assets	\$ 4,835	4,966	17	19	4,852	4,985	-2.67%
Capital assets	3,104	2,932	-	-	3,104	2,932	5.87%
Total assets	7,939	7,898	17	19	7,956	7,917	0.49%
Current liabilities	2,237	2,519	-	-	2,237	2,519	-11.19%
Non-current liabilities	117	220	-	-	117	220	0.00%
Total liabilities	2,354	2,739	-	-	2,354	2,739	-14.06%
Net Assets							
Invested in capital assets, net of related debt	2,993	2,714	-	-	2,993	2,714	10.28%
Restricted	1,228	893	-	-	1,228	893	37.51%
Unrestricted	1,364	1,552	17	19	1,381	1,571	-12.09%
Total net assets	\$ 5,585	5,159	17	19	5,602	5,178	8.19%

The District's combined net assets increased by 8%, or approximately \$424,000 over the prior year. The largest portion of the District's net assets is invested in capital assets.

Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements, decreased approximately \$170,000 or 12%. This decline was due in large part to revenue decreases.

Figure A-4 shows the changes in net assets for the years ended June 30, 2012 compared to the year ended June 30, 2011.

Figure A-4 Changes in Net Assets (Expressed in Thousands)							
Governmental Activities		Business Type Activities		Total School District		Total Change	
2012	2011	2012	2011	2012	2011	2011-2012	
Revenues:							
Program revenues:							
Charges for service and sales	\$ 250	440	99	95	349	535	-34.77%
Operating grants, contributions and restricted interest	783	935	95	97	878	1,032	-14.92%
General revenues:							
Property and income surtaxes	2,294	2,335	-	-	2,294	2,335	-1.76%
Statewide sales, services and use tax	653	335	-	-	653	335	94.93%
Unrestricted state grants	1,358	1,227	-	-	1,358	1,227	10.68%
Other	79	74	-	-	79	74	6.76%
Total revenues	<u>5,417</u>	<u>5,346</u>	<u>194</u>	<u>192</u>	<u>5,611</u>	<u>5,538</u>	<u>1.32%</u>
Program expenses:							
Governmental activities:							
Instruction	3,068	3,047	-	-	3,068	3,047	0.69%
Support services	1,239	1,365	-	-	1,239	1,365	-9.23%
Non-instructional programs	-	-	196	233	196	233	-15.88%
Other expenses	684	864	-	-	684	864	-20.83%
Total expenses	<u>4,991</u>	<u>5,276</u>	<u>196</u>	<u>233</u>	<u>5,187</u>	<u>5,509</u>	<u>-5.84%</u>
Change in net assets	<u>\$ 426</u>	<u>\$ 70</u>	<u>(2)</u>	<u>(41)</u>	<u>424</u>	<u>29</u>	<u>1362.07%</u>

Property tax and unrestricted state grants account for 65% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 83% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$5,416,622 and expenses were \$4,990,857 for the year ended June 30, 2012.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services and other expenses, for the year ended June 30, 2012 compared to the year ended June 30, 2011.

Figure A-5 Total and Net Cost of Governmental Activities (Expressed in Thousands)						
Total Cost of Services			Net Cost of Services			
2012	2011	Change 2011-2012	2012	2011	Change 2011-2012	
Instruction	\$ 3,068	3,047	0.69%	2,221	1,860	19.41%
Support services	1,239	1,365	-9.23%	1,199	1,342	-10.66%
Other expenses	684	864	-20.83%	538	699	-23.03%
Totals	<u>\$ 4,991</u>	<u>5,276</u>	<u>-5.40%</u>	<u>3,958</u>	<u>3,901</u>	<u>1.46%</u>

For the year ended June 30, 2012:

- The cost financed by users of the District's programs was \$249,525.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$782,954.
- The net cost of governmental activities was financed with \$2,293,861 in property and other local taxes and \$1,358,089 in unrestricted state grants.

Business Type Activities

Revenues for business type activities for the year ended June 30, 2012 were \$194,074 and expenses totaled \$196,007. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

During the year ended June 30, 2012, the District raised meal prices slightly.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As previously noted, Graettinger-Terril Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$2,283,627 a 7% increase above last year's ending fund balances of \$2,127,027.

Governmental Fund Highlights

- The District's General Fund financial status decreased this year. The District carefully monitors discretionary spending to avoid decreases in fund balances. This becomes more difficult every year due to state's decision to remove the budget guarantee. The District takes advantage of sharing incentive dollars whenever possible.
- The Physical Plant and Equipment Levy (PPEL levy) decreased by \$37,000 as the District used this balance for equipment purchases.
- The Capital Projects fund increased in the fiscal year ending June 30, 2012. This money can be used for many of the same purposes as the District's PPEL levy. The District used over \$117,000 for a payment on its one on one laptop initiative.

Proprietary Fund Highlights

The Nutrition Fund maintained a positive cash balance and required no advances from the General Fund for the second consecutive year.

BUDGETARY HIGHLIGHTS

The District's receipts were \$433,000 less than budgeted receipts. The most significant variance resulted from the uncertainty of funding during the first year of reorganization.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year. During the year ended June 30, 2012, the District exceeded the published budget in the non-instructional programs and other expenditures functions. The District did not exceed the General Fund unspent authorized budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2012, the District had invested \$3.1 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 6% from last year. More detailed information about the District's capital assets is presented in Note 3 to the financial statements. Depreciation expense for the year was \$408,793.

Figure A-6
Capital Assets, net Depreciation
(Expressed in Thousands)

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2012	2011	2012	2011	2012	2011	2011-2012
Land	\$ 254	254	-	-	254	254	0.00%
Site improvements	391	71	-	-	-	-	-
Buildings and improvements	1,612	1,696	-	-	1,612	1,696	-4.95%
Furniture and equipment	847	911	-	-	847	911	-7.03%
Totals	\$ 3,104	2,932	-	-	2,713	2,861	-5.17%

Long-Term Debt

The District entered into a four year lease for the purchase of laptop computers for each student. One payment of \$117,000 remains. The original payment and all future payments come from the Capital Projects Fund with revenues from the statewide sales and service and use tax.

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- Declining enrollment and the effects of the removal of the 100% budget guarantee will require due diligence on the part of the administration and board of education.
- Graettinger-Terril became one district beginning with FY2011. The District explores sharing opportunities in an effort to provide a quality education in a small school setting.
- Adequate allowable growth is a necessity in order for the District to properly maintain its educational opportunities.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Heidi Skattebo, District Secretary/Treasurer, Graettinger-Terril-Terril Community School District, 400 West Lost Island Street, Graettinger, IA 51342.

Basic Financial Statements

GRAETTINGER-TERRIL COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2012

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and pooled investments	\$ 2,446,211	15,014	2,461,225
Receivables:			
Property tax:			
Current year	37,706	-	37,706
Succeeding year	2,116,495	-	2,116,495
Income surtax - succeeding year	148,523	-	148,523
Due from other governments	85,555	-	85,555
Other receivables	-	188	188
Inventories	-	1,507	1,507
Capital assets, net of accumulated depreciation	3,104,294	-	3,104,294
Total assets	7,938,784	16,709	7,955,493
Liabilities			
Accounts payable	120,550	-	120,550
Deferred revenue:			
Succeeding year property tax	2,116,495	-	2,116,495
Long-term liabilities:			
Due within one year:			
Lease payable	111,317	-	111,317
Due after one year:			
Net OPEB liability	5,413	-	5,413
Total liabilities	2,353,775	-	2,353,775
Net assets			
Invested in capital assets, net of related debt	2,992,977	-	2,992,977
Restricted for:			
Categorical funding	182,459	-	182,459
Student activities	47,182	-	47,182
Management levy	406,630	-	406,630
School infrastructure	312,381	-	312,381
Physical plant and equipment levy	113,932	-	113,932
Employee benefits	165,295	-	165,295
Unrestricted	1,364,153	16,709	1,380,862
Total net assets	\$ 5,585,009	16,709	5,601,718

See notes to financial statements.

GRAETTINGER-TERRIL COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2012

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions/Programs:						
Governmental activities:						
Instruction	\$ 3,067,818	210,447	635,996	(2,221,375)	-	(2,221,375)
Support services:						
Student	55,946	-	-	(55,946)	-	(55,946)
Instructional staff	151,684	-	-	(151,684)	-	(151,684)
Administration	453,598	39,078	-	(414,520)	-	(414,520)
Operation and maintenance of plant	414,782	-	624	(414,158)	-	(414,158)
Transportation	162,931	-	-	(162,931)	-	(162,931)
	1,238,941	39,078	624	(1,199,239)	-	(1,199,239)
Other expenditures:						
AEA flowthrough	145,988	-	145,988	-	-	-
Interest on long-term liabilities	11,246	-	-	(11,246)	-	(11,246)
Facilities acquisition and construction	118,400	-	346	(118,054)	-	(118,054)
Depreciation (unallocated)	408,464	-	-	(408,464)	-	(408,464)
	684,098	-	146,334	(537,764)	-	(537,764)
Total governmental activities	4,990,857	249,525	782,954	(3,958,378)	-	(3,958,378)

GRAETTINGER-TERRIL COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2012

	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Business type activities:					
Non-instructional programs:					
Nutrition services	196,007	94,882	-	(1,933)	(1,933)
Total	<u>\$ 5,186,864</u>	<u>877,836</u>	<u>(3,958,378)</u>	<u>(1,933)</u>	<u>(3,960,311)</u>
General Revenues:					
Property tax levied for:					
General purposes			\$ 1,668,785	-	1,668,785
Management fund			362,936	-	362,936
Capital outlay			216,008	-	216,008
Income surtaxes collected for:					
General purposes			46,132	-	46,132
Statewide sales, services and use tax			653,044	-	653,044
Unrestricted state grants			1,358,089	-	1,358,089
Unrestricted investment earnings			7,034	-	7,034
Other			72,115	-	72,115
Total general revenues			<u>4,384,143</u>	<u>-</u>	<u>4,384,143</u>
Change in net assets			425,765	(1,933)	423,832
Net assets beginning of year			<u>5,159,244</u>	<u>18,642</u>	<u>5,177,886</u>
Net assets end of year			<u>\$ 5,585,009</u>	<u>16,709</u>	<u>5,601,718</u>

See notes to financial statements.

GRAETTINGER-TERRIL COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2012

	Special Revenue		Capital Projects			Total
	General	Student Activity	Management Levy	Statewide Sales Use Tax	Physical Plant and Equipment Levy	
Cash and pooled investments	\$ 1,547,340	47,776	400,397	265,193	18,254	2,278,960
Receivables:						
Property tax:						
Current year	28,622	-	6,233	-	2,851	37,706
Succeeding year	1,660,292		200,000	-	256,203	2,116,495
Income surtax - succeeding year	55,696	-	-	-	92,827	148,523
Due from other governments	38,367	-	-	47,188	-	85,555
Total assets	<u>\$ 3,330,317</u>	<u>47,776</u>	<u>606,630</u>	<u>312,381</u>	<u>370,135</u>	<u>4,667,239</u>

Assets

Cash and pooled investments
Receivables:
 Property tax:
 Current year
 Succeeding year
Income surtax - succeeding year
Due from other governments

Total assets

GRAETTINGER-TERRIL COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2012

	Special Revenue			Capital Projects		
	General	Student Activity	Management Levy	Statewide Sales Use Tax	Physical Plant and Equipment Levy	Total
\$ 118,000	594	-	-	-	-	118,594
1,660,292	-	200,000	-	-	256,203	2,116,495
55,696	-	-	-	-	92,827	148,523
1,833,988	594	200,000	-	-	349,030	2,383,612
182,459	-	-	-	-	-	182,459
-	47,182	-	-	-	-	47,182
-	-	406,630	-	-	-	406,630
-	-	-	-	312,381	-	312,381
-	-	-	-	-	21,105	21,105
1,313,870	-	-	-	-	-	1,313,870
1,496,329	47,182	406,630	-	312,381	21,105	2,283,627
\$ 5,396,963	17,231	673,653	1,500,355	636,072	8,768,641	

Liabilities and Fund Balances

Liabilities:	
Accounts payable	
Deferred revenue:	
Succeeding year property tax	
Succeeding year income surtax	
Total liabilities	
Fund balances:	
Restricted for:	
Categorical funding	
Student activities	
Management levy	
School infrastructure	
Physical plant and equipment levy	
Unassigned	
Total fund balance	

Total liabilities and fund balances

See notes to financial statements.

GRAETTINGER-TERRIL COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets

June 30, 2012

Total fund balances of governmental funds (Exhibit C)	\$ 2,283,627
---	--------------

**Amounts reported for governmental activities in the Statement of Net Assets
are different because:**

Income surtax receivable at June 30, 2012 is not recognized as income until received in the governmental funds, however it is shown as a revenue in the Statement of Activities.	148,523
--	---------

Internal Service fund assets that are to be included with governmental funds.	165,295
---	---------

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	3,104,294
--	-----------

Long term liabilities, including lease payable and other postemployment benefits, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(116,730)</u>
---	------------------

Net assets of governmental activities (Exhibit A)	<u>\$ 5,585,009</u>
--	----------------------------

See notes to financial statements.

GRAETTINGER-TERRIL COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year ended June 30, 2012

	Special Revenue			Capital Projects			Debt Service	Total
	General	Student Activity	Management Levy	Statewide Sales Use Tax	Physical Plant and Equipment Levy			
Revenues:								
Local sources:								
Local tax	\$ 1,733,344	-	362,936	653,044	216,008	-	-	2,965,332
Tuition	210,447	-	-	-	-	-	-	210,447
Other	103,886	84,613	330	346	33	-	-	189,208
State sources	1,863,061	-	179	-	82	-	-	1,863,322
Federal sources	173,940	-	-	-	-	-	-	173,940
Total revenues	4,084,678	84,613	363,445	653,390	216,123	-	-	5,402,249
Expenditures:								
Instruction	2,869,844	103,929	103,145	-	33,454	-	-	3,110,372
Support services:								
Student	55,946	-	-	-	-	-	-	55,946
Instructional staff	154,686	-	-	-	-	-	-	154,686
Administration	421,430	-	-	-	65,185	-	-	486,615
Operation and maintenance of plant	377,067	-	31,495	278	91,308	-	-	500,148
Transportation	228,793	-	-	-	35,486	-	-	264,279
	1,237,922	-	31,495	278	191,979	-	-	1,461,674

GRAETTINGER-TERRIL COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year ended June 30, 2012

	Special Revenue			Capital Projects			Debt Service	Total
	General	Student Activity	Management Levy	Statewide Sales Service and Use Tax	Physical Plant and Equipment Levy			
Other expenditures								
AEA flowthrough	145,988	-	-	-	-	-	-	145,988
Debt service:								
Principal	-	-	-	-	-	105,836	105,836	105,836
Interest	-	-	-	-	-	11,246	11,246	11,246
Facilities acquisition and construction	-	-	-	415,212	28,121	-	-	443,333
	145,988	-	-	415,212	28,121	117,082	117,082	706,403
Total expenditures	4,253,754	103,929	134,640	415,490	253,554	117,082	117,082	5,278,449
Excess (deficiency) of revenues over (under) expenditures	(169,076)	(19,316)	228,805	237,900	(37,431)	(117,082)	(117,082)	123,800
Other financing sources (uses):								
Operating transfer in	-	-	-	-	-	117,082	117,082	117,082
Operating transfer out	-	-	-	(117,082)	-	-	-	(117,082)
Sale of property	32,800	-	-	-	-	-	-	32,800
	32,800	-	-	(117,082)	-	117,082	117,082	32,800
Net change in fund balances	(136,276)	(19,316)	228,805	120,818	(37,431)	-	-	156,600
Fund balances beginning of year	1,632,605	66,498	177,825	191,563	58,536	-	-	2,127,027
Fund balances end of year	\$ 1,496,329	47,182	406,630	312,381	21,105	-	-	2,283,627

See notes to financial statements.

GRAETTINGER-TERRIL COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
to the Statement of Activities

Year ended June 30, 2012

Net change in fund balances - total governmental funds (Exhibit E)	\$ 156,600
---	------------

**Amounts reported for governmental activities in the Statement of
Activities are different because:**

Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the Statement of Activities. This represents the change from the prior year.	(18,427)
---	----------

Internal Service Fund transactions are not reported in the General Fund as revenues and expenditures, however the General Fund is the source of these revenues and use of the expenditures.	12,061
---	--------

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 581,120	
Depreciation expense	<u>(408,464)</u>	172,656

Other postemployment benefits and early retirement reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported in the governmental funds.	(2,961)
--	---------

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.	<u>105,836</u>
---	----------------

Change in net assets of governmental activities (Exhibit B)	<u><u>\$ 425,765</u></u>
--	--------------------------

GRAETTINGER-TERRIL COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Funds

June 30, 2012

	Enterprise Fund	Governmental Activities
	School Nutrition	Internal Service
Assets		
Cash and pooled investments	\$ 15,014	167,251
Other receivables	188	-
Inventories	1,507	-
Total assets	<u>16,709</u>	<u>167,251</u>
Liabilities		
Accounts payable	-	1,956
Net Assets		
Unrestricted	<u>16,709</u>	<u>165,295</u>
Total net assets	<u>\$ 16,709</u>	<u>165,295</u>

See notes to financial statements.

GRAETTINGER-TERRIL COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds

Year ended June 30, 2012

	Enterprise Fund	Governmental Activities
	School Nutrition	Internal Service
Operating revenue:		
Local sources:		
Charges for services	\$ 99,192	32,722
Operating expenses:		
Non-instructional programs:		
Food service operations:		
Salaries	72,781	-
Benefits	22,848	-
Supplies	100,049	-
Depreciation	329	-
Total operating expenses	196,007	-
Internal service programs:		
Benefits	-	20,661
Total operating expenses	196,007	20,661
Operating income (loss)	(96,815)	12,061
Non-operating revenues:		
Local sources	23	-
State sources	1,640	-
Federal sources	93,219	-
	94,882	-
Change in net assets	(1,933)	12,061
Net assets beginning of year	18,642	153,234
Net assets end of year	\$ 16,709	165,295

See notes to financial statements.

GRAETTINGER-TERRIL COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2012

	Enterprise Fund School Nutrition	Governmental Activities Internal Service
Cash flows from operating activities:		
Cash received from sale of services	\$ 99,253	32,722
Cash payments to employees for services	(95,629)	(18,705)
Cash payments to suppliers for goods or services	(84,756)	-
Net cash provided by (used by) operating activities	(81,132)	14,017
Cash flows from non-capital financing activities:		
State grants received	1,640	-
Federal grants received	80,070	-
Net cash provided by non-capital financing activities	81,710	-
Cash flows from investing activities:		
Interest on investments	23	-
Net increase in cash and cash equivalents	601	14,017
Cash and cash equivalents beginning of year	14,413	153,234
Cash and cash equivalents end of year	\$ 15,014	167,251
Reconciliation of operating income (loss) to net cash provided by (used by) operating activities:		
Operating income (loss)	\$ (96,815)	12,061
Adjustments to reconcile operating income (loss) to cash provided by (used by) operating activities:		
Depreciation expense	329	-
Commodities used	13,149	-
Decrease in other receivables	61	-
Decrease in inventory	2,236	-
Increase(Decrease) in accounts payable	(92)	1,956
	\$ (81,132)	14,017

Non-cash investing, capital and financing activities:

During the year ended June 30, 2012, the District received federal commodities valued at \$13,149.

See notes to financial statements.

GRAETTINGER-TERRIL COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets
Fiduciary Funds

Year ended June 30, 2012

	<u>Agency Funds</u>
Assets	
Cash and pooled investments	\$ 261
Liabilities	
Other payables	<u>261</u>
Net Assets	<u>\$ -</u>

See notes to financial statements.

GRAETTINGER-TERRIL COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2012

(1) Summary of Significant Accounting Policies

Graettinger-Terril Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors summer recreational activities. The geographic area served includes the Cities of Graettinger and Terril, Iowa, and agricultural area in Palo Alto, Dickinson, Clay and Emmet Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Graettinger-Terril Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Graettinger-Terril Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Palo Alto, Dickinson and Emmet County Assessor's Conference Boards.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Net assets restricted by enabling legislation as of June 30, 2012 consists of \$182,459.

Unrestricted net assets consist of net assets not meeting the definition of the preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. The District has elected to present all governmental and proprietary funds as major funds for clarity of presentation.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Student Activity Fund is used to account for extra curricular activities conducted on behalf of the students.

The Management Levy Fund is utilized for the payment of insurance, unemployment and early retirement benefits.

The Capital Projects Fund, Statewide Sales, Services and Use Tax is used to account for funds raised by the one cent School Infrastructure statewide sales, services and use tax. These funds are being used for debt retirement and infrastructure expenses.

The Capital Projects Fund, Physical Plant and Equipment Levy is used to purchase equipment (over \$500 per item) and for major repairs and improvements to buildings and grounds. It is funded primarily through a combination of property tax and income surtax.

The District reports the following major proprietary funds:

The District's proprietary funds are as follows. The Enterprise, School Nutrition Fund is used to account for the food service operations of the District. The Internal Service Fund is maintained to account for certain health benefit plans.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary fund includes the following:

The Agency Fund is used to account for assets held by the District in a custodial relationship.

C. Measurement Focus and Basis of Accounting

The government-wide and the proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications - committed, assigned and then unassigned fund balances.

The proprietary funds of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Funds are charges to customers for sales and services. Operating expenses for the Enterprise Fund includes the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statement of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Balance

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Current property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2010 assessed property valuations; is for the tax accrual period July 1, 2011 through June 30, 2012 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2011.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment and intangibles are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years. No intangible assets were noted that exceeded the threshold amount.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 1,000
Buildings	10,000
Improvements other than buildings	1,000
Intangible assets	50,000
Furniture and equipment:	
School Nutrition Fund equipment	1,000
Other furniture and equipment	1,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Intangible assets	5-10 years
Furniture and equipment	5-15 years

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue consists of property tax receivables, income surtax and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability is deemed to be immaterial at June 30, 2012.

Long-Term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity - In the governmental fund financial statements, fund balances are classified as follows:

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned - All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosure is reported as Required Supplementary Information. During the year ended June 30, 2012, expenditures exceeded the amount budgeted in the non-instructional programs and other expenditures functions. The District did not exceed its General Fund unspent authorized budget.

(2) **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2012 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had no investments at June 30, 2012.

(3) Capital Assets

Capital assets activity for the year ended June 30, 2012 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 254,001	-	-	254,001
Capital assets being depreciated:				
Site improvements	86,254	340,893	-	427,147
Buildings and improvements	3,364,567	21,508	-	3,386,075
Furniture and Equipment	2,763,849	218,719	-	2,982,568
Total capital assets being depreciated	6,214,670	581,120	-	6,795,790
Less accumulated depreciation for:				
Site improvements	14,849	21,357	-	36,206
Buildings and improvements	1,669,156	104,008	-	1,773,164
Furniture and Equipment	1,853,028	283,099	-	2,136,127
Total accumulated depreciation	3,537,033	408,464	-	3,945,497
Total capital assets being depreciated, net	2,677,637	172,656	-	2,850,293
Governmental activities, capital assets, net	\$ 2,931,638	172,656	-	3,104,294
Business type activities:				
Furniture and equipment	\$ 51,650	-	-	51,650
Less accumulated depreciation	51,321	329	-	51,650
Business type activities capital assets, net	\$ 329	(329)	-	-
Depreciation expense was charged to the following functions:				
Governmental activities:				
Unallocated				\$ 408,464
Business type activities:				
Food service operations				\$ 329

(4) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 5.38% of their annual salary and the District is required to contribute 8.07% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2012, 2011, and 2010 were \$178,348, \$153,533, and \$146,531 respectively, equal to the required contributions for each year.

(5) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$145,988 for year ended June 30, 2012 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(6) Lease Payable

The District entered into a four year lease with Apple Inc. for the lease/purchase of 235 laptop computers totaling payments of \$468,859. Payments will be made from the Capital Projects Fund, Statewide Sales, Services and Use Tax.

<u>Year Ending June 30,</u>	<u>Interest Rates</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2013	5.179%	<u>\$5,765</u>	<u>111,317</u>	<u>117,082</u>

(7) Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 35 active and 7 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefits plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2012, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 22,410
Interest on net OPEB Obligation	61
Adjustment to annual required contribution	(1,504)
Annual OPEB Cost	20,967
Contributions made	(18,006)
Increase in net OPEB obligation	2,961
Net OPEB obligation beginning of year	2,452
Net OPEB obligation end of year	<u>\$ 5,413</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2010. The end of the year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2012.

For the year ended June 30, 2012, the District contributed \$18,006 to the medical plan.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2012 are summarized as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2011	\$17,620	108.0%	\$2,452
June 30, 2012	20,967	85.9	5,413

Funded Status and Funding Progress - As of July 1, 2010, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, the actuarial accrued liability was \$163,601 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$163,601. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,308,000 and the ratio of the UAAL to covered payroll was 7.1%. As of June 30, 2012, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2010 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions includes a 2.5% discount rate based on the District's funding policy. The annual medical trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from information provided by the District.

The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

Required Supplementary Information

GRAETTINGER-TERRIL COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances -
Budget and Actual - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2012

	Governmental Fund Types Actual	Proprietary Fund Type Actual	Total Actual	Budgeted Amount Final	Final to Actual Variance
Revenues:					
Local sources	\$ 3,364,987	99,215	3,464,202	3,817,999	(353,797)
State sources	1,863,322	1,640	1,864,962	1,991,796	(126,834)
Federal sources	173,940	93,219	267,159	220,000	47,159
Total revenues	<u>5,402,249</u>	<u>194,074</u>	<u>5,596,323</u>	<u>6,029,795</u>	<u>(433,472)</u>
Expenditures/Expenses:					
Instruction	3,110,372	-	3,110,372	5,222,000	2,111,628
Support services	1,461,674	-	1,461,674	1,794,500	332,826
Non-instructional programs	-	196,007	196,007	192,000	(4,007)
Other expenditures	706,403	-	706,403	480,760	(225,643)
Total expenditures/expenses	<u>5,278,449</u>	<u>196,007</u>	<u>5,474,456</u>	<u>7,689,260</u>	<u>2,214,804</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	123,800	(1,933)	121,867	(1,659,465)	1,781,332
Other financing sources (uses)	<u>32,800</u>	<u>-</u>	<u>32,800</u>	<u>-</u>	<u>32,800</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expense other financing uses	156,600	(1,933)	154,667	(1,659,465)	1,814,132
Balance beginning of year	<u>2,127,027</u>	<u>18,642</u>	<u>2,145,669</u>	<u>1,874,139</u>	<u>271,530</u>
Balance end of year	<u>\$ 2,283,627</u>	<u>16,709</u>	<u>2,300,336</u>	<u>214,674</u>	<u>2,085,662</u>

See accompanying independent auditor's report.

GRAETTINGER-TERRIL COMMUNITY SCHOOL DISTRICT

Note to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2012

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Internal Service and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2012, expenditures exceeded the amount budgeted in the non-instructional programs and other expenditures functions. The District did not exceed its General Fund unspent authorized budget.

GRAETTINGER-TERRIL COMMUNITY SCHOOL DISTRICT

Schedule of Funding Progress for the
Retiree Health Plan
(In Thousands)

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2011	July 1, 2010	\$0	\$184	\$184	0.0%	\$2,643	7.0%
2012	July 1, 2010	\$0	\$164	\$164	0.0%	\$2,308	7.1%

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

Supplementary Information

GRAETTINGER-TERRIL COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2012

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Athletic	\$ 29,962	25,712	32,958	22,716
Student Council	1,004	1,816	969	1,851
Student Council MS	434	708	1,114	28
FFA	8,302	22,612	23,760	7,154
Cheerleaders	767	3,683	2,843	1,607
National Honor Society	2,829	47	83	2,793
Speech/Drama	(358)	2,906	4,532	(1,984)
Class of 2010	529	-	-	529
Class of 2011	205	-	-	205
Class of 2012	2,133	-	2,106	27
Class of 2013	466	7,285	6,667	1,084
Class of 2014	-	80	-	80
Elementary	2,770	4,383	3,296	3,857
Yearbook/Annual	39	2,060	8,423	(6,324)
Band	189	2,405	1,628	966
Vocal	453	317	702	68
Library	547	166	12	701
Miscellaneous	12,411	838	11,865	1,384
Interest	184	82	-	266
Office	767	8,682	1,262	8,187
Art	458	-	-	458
Marketing	45	-	-	45
FHA	-	831	831	-
MS Field Trips	1,208	-	878	330
Elementary	1,154	-	-	1,154
Total	<u>\$ 66,498</u>	<u>84,613</u>	<u>103,929</u>	<u>47,182</u>

See accompanying independent auditor's report.

GRAETTINGER-TERRIL COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds

For the Last Ten Years

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
	Modified Accrual Basis									
Revenues:										
Local sources:										
Local tax	\$ 2,965,332	2,713,497	2,529,299	2,376,683	2,199,105	2,343,219	2,093,411	2,145,327	2,112,430	2,079,371
Tuition	210,447	439,843	1,041,969	831,808	840,673	760,922	879,223	502,676	146,408	194,168
Other	189,208	193,109	502,475	595,586	538,973	571,152	472,267	457,180	264,465	252,245
State sources	1,863,322	1,753,775	1,374,719	1,875,902	1,758,000	1,812,980	1,960,636	1,828,317	2,157,760	2,021,520
Federal sources	173,940	230,019	347,613	169,745	143,634	175,368	200,573	211,499	224,925	303,784
Total	<u>\$ 5,402,249</u>	<u>5,330,243</u>	<u>5,796,075</u>	<u>5,853,724</u>	<u>5,480,385</u>	<u>5,663,641</u>	<u>5,606,110</u>	<u>5,144,999</u>	<u>4,905,988</u>	<u>4,851,088</u>
Expenditures:										
Instruction	\$ 3,110,372	3,159,098	3,806,380	3,714,486	3,663,330	3,671,363	3,735,282	3,437,064	3,326,518	3,199,409
Support services:										
Student	55,946	79,069	91,362	84,374	27,276	20,563	11,514	47,118	17,757	15,401
Instructional staff	154,686	120,315	233,620	112,589	45,642	54,023	98,082	20,939	70,345	131,113
Administration	486,615	550,816	520,406	632,759	631,163	573,517	555,501	458,588	415,162	450,418
Operation and maintenance										
of plant	500,148	415,689	443,442	356,075	390,672	346,044	396,257	358,111	359,838	249,477
Transportation	264,279	247,752	190,777	230,680	356,877	322,539	213,947	254,545	188,317	149,413
Central support services	-	-	-	-	-	-	-	-	-	5,850
Noninstructional programs:										
Food service operations	-	-	20,080	480	2,029	14,605	10,260	28,861	18,659	12,376
Other expenditures:										
Debt service:										
Principal	105,836	100,624	-	-	-	-	-	-	275,000	-
Interest and other charges	11,246	16,458	-	-	-	-	-	-	11,440	12,650
Facilities acquisition	443,333	373,874	160,795	145,135	282,204	353,158	187,287	404,600	143,168	39,940
AEA flowthrough	145,988	164,199	165,723	153,615	149,959	147,209	144,149	148,055	144,139	152,822
Total	<u>\$ 5,278,449</u>	<u>5,227,894</u>	<u>5,632,585</u>	<u>5,430,193</u>	<u>5,549,152</u>	<u>5,503,021</u>	<u>5,352,279</u>	<u>5,157,881</u>	<u>4,970,343</u>	<u>4,418,869</u>

See accompanying independent auditor's report.

BRUCE D. FRINK

Certified Public Accountant

Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

Services:

- Individual, Partnership and Corporate Tax Preparation
- Year Round Tax Planning
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Financial Statement Preparation
- Bank Loan Assistance

Plus:

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Education of the
Graettinger-Terril Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities and each major fund of Graettinger-Terril Community School District as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 14, 2013. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

The management of Graettinger-Terril Community School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Graettinger-Terril Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Graettinger-Terril Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Graettinger-Terril Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings as items I-A-12 and I-B-12 to be material weaknesses.

202 Central Avenue East
P.O. Box 241
Clarion, IA 50525

Phone: (515) 532-6659
Fax: (515) 532-3677
bruce@frinkcpa.com

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Graettinger-Terril Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of non-compliance or other matters that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Graettinger-Terril Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Graettinger-Terril Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Graettinger-Terril Community School District and other parties to whom Graettinger-Terril Community School District may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Graettinger-Terril Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

BRUCE D. FRINK
Certified Public Accountant

March 14, 2013

GRAETTINGER-TERRIL COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2012

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

MATERIAL WEAKNESSES

I-A-12 Segregation of Duties - During our review of the internal control structure, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the District's financial statements. We noted that one individual has custody of receipts and performs all record-keeping and reconciling functions for the office.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review the operating procedures of the office to obtain the maximum internal control possible under the circumstances.

Response - We will review procedures and investigate available alternatives.

Conclusion - Response accepted.

I-B-12 Auditor Drafting of the Financial Statements and Related Footnote Disclosures - As in prior years, we were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. SAS 115, an auditing standard from the American Institute of Certified Public Accountants, requires auditors to communicate this situation as an internal control deficiency. Ultimately, it is management's responsibility to provide for the preparation of the District's statements and footnotes, and the responsibility of the auditor to determine the fairness of the presentation of those statements. From a practical standpoint we do both for you at the same time in connection with our audit. This is not unusual for us to do this with organizations of your size. However, based on this auditing standard, it is our responsibility to inform you that this deficiency could result in a misstatement to the financial statements that could have been prevented or detected by the District's management. As in prior years, we have instructed management to review a draft of the auditor prepared financial statements in detail for their accuracy; we have answered any questions they might have, and encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification and disclosure in your financial statements. We are satisfied that the appropriate steps have been taken to provide you with the completed financial statements.

Recommendation - It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response - We feel our review of the draft financials is adequate for us to accept this risk.

Conclusion - Response accepted.

GRAETTINGER-TERRIL COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2012

Part II: Other Findings Related to Required Statutory Reporting:

II-A-12 Certified Budget - Expenditures for the year ended June 30, 2012 exceeded the certified budget amount in the non-instructional programs and other expenditures functions. The District did not exceed its unspent authorized budget.

Recommendation - The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response - Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion - Response accepted.

II-B-12 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

II-C-12 Business Transactions - No business transactions between the District and District officials or employees were noted.

II-D-12 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-E-12 Board Minutes - No transactions requiring Board approval which had not been approved by the Board were noted.

II-F-12 Questionable Expenditures - No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

II-G-12 Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

II-H-12 Certified Annual Report - The Certified Annual Report was certified timely to the Iowa Department of Education.

II-J-12 Certified Enrollment - The number of basic resident students reported to the Iowa Department of Education on line 7 of the Certified Enrollment Certification Form of October 2011 was understated. The District's certified enrollment count excluded a student on row 1 with a weighting of 1.00. This resulted in understating the total actual enrollment at row 7 by 1.00 students.

Recommendation - The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.

Response - We will contact Iowa Department of Education and the Department of Management.

Conclusion - Response accepted.

GRAETTINGER-TERRIL COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2012

Part II: Other Findings Related to Required Statutory Reporting:
(continued)

II-J-12 Supplementary Weighting - The Department of Management identified variances in the supplementary weighting certified to the Department of Education.

Recommendation - We recommend increased reviews over courses to ensure proper coding for supplementary weighting.

Response - The District will continue to review data prior to submission.

Conclusion - Response accepted.

II-K-12 Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.

II-L-12 Statewide sales, services and use tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2012, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$191,563
Revenues/transfers in:		
Sales tax revenues	\$653,044	
Other local revenues	<u>346</u>	<u>653,390</u>
		844,953
Expenditures/transfers out:		
School infrastructure construction	415,490	
Debt service fund (laptop lease)	<u>117,082</u>	<u>532,572</u>
Ending balance		\$ <u>312,381</u>

For the year ended June 30, 2012, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F or the Code of Iowa.